

2002 Tax Changes - Are You Ready?

In the March 2000 Budget, the Chancellor announced changes to the way company car tax is to be calculated. From April 2002, employees will pay tax by reference to the amount of carbon dioxide (CO₂) a car emits, replacing the current system where tax breaks are given for business miles. This change aims to discourage unnecessary miles and promote more environmentally friendly vehicles.

Outline of the new rules

- The car's list price on the day before registration is to remain as the basis of the calculation
- Minimum 15% and maximum 35% of list price to remain in place (subject to discounts for alternative fuels)
- Business mileage discounts to be replaced by a sliding scale based on the CO₂ emissions a car emits
- Emission level attracting 15% tax charge in 2002 is 165g/km, increasing by 1% for each additional 5 g/km of CO₂ up to the maximum of 35%
- Diesel cars not meeting Euro IV emission standard attract a 3% supplement due to the emission of other pollutants
- Alternative fuel vehicles will attract special discounts

2002/03 Ready Reckoner

Actual CO ₂ emissions	Petrol % of list price	Diesel * % of list price
169 or below	15%	18%
170-174	16%	19%
175-179	17%	20%
180-184	18%	21%
185-189	19%	22%
190-194	20%	23%
195-199	21%	24%
200-204	22%	25%
205-209	23%	26%
210-214	24%	27%
215-219	25%	28%
220-224	26%	29%
225-229	27%	30%
230-234	28%	31%
235-239	29%	32%
240-244	30%	33%
245-249	31%	34%
250-254	32%	35%
255-259	33%	35%
260-264	34%	35%
265 or above	35%	35%

Notes:

* Non Euro IV emission standard

Bi-fuel and hybrid electric cars receive 1% and 2% discount respectively on the petrol figures above. Bi-fuel and hybrid electric cars with type approval receive a further 1% discount for each full 20 g/km below the minimum emission level.

Cars that run solely on electric power are taxed at 9% of list price

Example

John, a 22% taxpayer, drives a petrol Mondeo with a list price of £15,400. The car emits 185 g/km of CO₂. John's company car tax liability for 2002/03 will be £643.72. (£15,400 x 19% x 22%)

CO₂ Emission Levels

The lowest level of CO₂ emissions qualifying for the minimum 15% tax charge will gradually be reduced, reflecting anticipated improvements in new car emissions:

2003/04 - Minimum will be 159 g/km or below

2004/05 - Minimum will be 149 g/km or below

To ascertain the official CO₂ rating for a particular vehicle, log onto the Society of Motor Manufacturers & Traders web site at www.smmt.co.uk

Interactive.....

Visit the LEX Vehicle Leasing web site at www.lvl.co.uk and use our interactive car tax calculator which will quickly assess company car tax liabilities for all tax years to 2004/05.

Have you taken cash?

Cash takers should reconsider their position under the new regime. Many who have opted out due to the tax burden may now find that they will be better off by returning to a company car.

For example, a 40% taxpayer that travels less than 2,500 business miles in a £16,000 car emitting 194 g/km of CO₂ would currently have a tax liability of £2,240. Under the new regime, this will fall by 43% to £1,280.